

# The efficacy of marketing skills and market responsiveness in marketing performance of emerging market exporting firms in advanced markets: The moderating role of competitive intensity

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**Note: This is a post-review pre-print accepted version, please cite:**

Khan, H., & Khan, Z. (2021). The efficacy of marketing skills and market responsiveness in marketing performance of emerging market exporting firms in advanced markets: The moderating role of competitive intensity. ***International Business Review***, in press.

## Highlights

- Marketing skills and market responsiveness are vital for emerging market exporting firms operating in advanced markets.
- Market responsiveness mediates the influence of marketing skills on marketing performance.
- The mediating influence of market responsiveness is positively moderated by competitive intensity of advanced markets.

## Abstract

Emerging market exporting firms in advanced economies must manage a highly dynamic landscape owing to factors such as changing market needs and fierce competition. Hence, these firms need to develop unique marketing skills for superior performance. Accordingly, this study draws on the resource-based and dynamic capability theory to empirically examine the role of marketing skills in developing a dynamic capability—market responsiveness—for improved marketing performance, and the changes in this relationship under highly competitive intensity. Using a sample ( $n = 98$ ) of firms originating from an emerging market (Pakistan) mainly exporting to advanced markets (the United Kingdom, the United States or both), the findings show that marketing skills, positively mediated by market responsiveness, influence the marketing performance of such firms in advanced markets. The indirect relationship is positively moderated by a higher level of competitive intensity. This study extends the dynamic capability and export marketing streams of literature, particularly for emerging market exporting firms in advanced markets, and provides useful performance implications to export marketing managers.

**Keywords:** *marketing skills; market responsiveness; marketing performance; competitive intensity; dynamic capabilities; emerging market exporting firms*

## 1. Introduction

Exporting is a key driver of economic growth and business performance (Nemkova et al., 2015). Given the challenge of exporting to advanced markets, exporting firms may find it critical to possess marketing skills to strengthen their performance (Spyropoulou et al., 2018). Exporting firms are often marketing-based businesses, which must plan and promote their product lines to a specific foreign market (Cavusgil & Zou, 1994). Hence, exporting firms' managers with less ex-ante exposure to dissimilar and dynamic market contexts need to possess marketing skills to gain superior performance.

Recently, emerging market firms (EMFs) have been expanding into developed as well as developing markets. These firms face substantial challenges in their home markets (Khanna, & Palepu, 2010), and dynamic market conditions pertaining to changing customers' needs, distribution channels, and competition while expanding into advanced markets (cf. Khan, 2020, Khan et al., 2020). Thus, they may require vital business-related skills (e.g., marketing, financial management, and planning skills etc.) to improve their performance. Marketing skills, defined as an *intangible resource that allows segmenting and targeting the market effectively and planning the creative marketing management processes* (Morgan et al., 2012), has captured limited attention for its' impact in the context of exporting EMFs in advanced markets. Exporting EMFs may require greater marketing skills in advanced markets, given the dynamic landscape in which they operate (Khan, 2020). While scholars have focused on the key capabilities of EMFs in advanced economies, especially for exporting firms (Boso, Adeola, Danso, & Assadinia, 2019), yet there is a lack of empirical support from the resource-based view (RBV) and dynamic capability theoretical perspectives about the key mechanisms and boundary conditions through

which marketing skills enhance the performance of exporting firms in advanced markets.

The dynamic market conditions such as evolving competition and customers' preferences require responding to emerging threats and opportunities in host advanced markets (Khan, 2020). To respond effectively to dynamic conditions, exporting EMFs may have to improve their strategic assets through planning, effective segmentation and strategy skills. In other words, such firms may need marketing skills for *market responsiveness -- capability to take corrective actions to serve changing market needs* (Khan, 2020). To the best of our knowledge, limited studies have investigated the key antecedents of market responsiveness, although it plays a vital role in responding to changing customer needs in host markets (Luo, 2001). Thus, the *first objective* of this study is to examine marketing skills as a precursor of market responsiveness as the relationship between the two has not been explored yet. Through market-based capabilities, firms can improve their market performance (cf. Morgan et al., 2009; Yalcinkaya et al., 2007). Hence, the *second objective* is to explore the mediating role of market responsiveness in enhancing marketing performance.

EMFs find it difficult to manage performance when they enter a dynamic and highly competitive landscape of advanced economies. Hence, the challenge is to understand the effectiveness of marketing skills (via market responsiveness) on performance under varying competitive intensity conditions. The resource-based theory postulates that intangible resources entail complex set of skills, the superior performance of firms is attributable to key skills, which if developed appropriately, can become unique assets that are not substitutable by the market rivals (Boso et al., 2019; Pham, Le Monkhouse, & Barnes, 2017). Hence, the *third objective* is to

understand the moderating condition (i.e., competitive intensity) under which the relationship between marketing skills, market responsiveness, and market performance may be enhanced as limited theoretical and empirical evidence is available in this regard.

Based on the above discussion, this study explores the following interrelated research questions: Do marketing skills influence the market responsiveness of exporting EMFs in advanced markets? Do marketing skills improve marketing performance through market responsiveness? How does the mediating influence of market responsiveness change under low vs highly competitive intensity situations?

The novelty of this current study is to shed light on a vital integrated mediating-moderating phenomenon through which marketing skills can enhance the marketing performance of exporting EMFs by applying key theoretical insights drawn from the RBV and dynamic capability theory. First, we document the role of marketing skills as important intangible resource that exporting firms require to effectively respond in host markets (Barney, 1991; Teece, 2012). Second, we identify market responsiveness as one of the important mediating mechanisms in enhancing the marketing performance. Existing studies have not linked marketing skills with market responsiveness and by examining this relationship, we shed lights on how specific hard to imitate resources (marketing skills) feed into the development of firm responsiveness capabilities. This is one of the central contributions to the resource base and dynamic capability theory. As such we empirically demonstrate that through the effective deployment of resources and capabilities, firms operating in dynamic environments can improve their performance (e.g., Eisenhardt & Martin, 2000; Teece et al., 1997).

The RBV and dynamic capability theory suggests that firm performance variations can be explained by the heterogeneity of resources and capabilities they have in their armour. However, the relationship between resources and dynamic capability is lacking empirical attention. This oversight is even more glaring in the context of EMFs, thus we provide important empirical support to the dynamic capability theory (e.g., Eisenhardt, & Martin, 2000; Helfat et al., 2007; Teece et al., 1997). This study contributes by showing intangible resources (marketing skills) can be leveraged by the deployment of firm capability (market responsiveness), and by doing so we provide vital insights to the resources-capabilities nexus as static resources on their own might not create value for firms unless firms need to purposefully utilize and deploy vital capabilities for generating value through resources (cf. Di Stefano et al., 2014; Helfat et al., 2007; Teece et al., 1997).

Third, we contribute by integrating competitive intensity as a key contingency variable in explaining the marketing skills, market responsiveness and market performance relationships. This is because only handful studies utilizing resource-based and dynamic capability theory has integrated environment-related contingency variables in explaining the impact of firm capabilities on performance (cf. Mikalef et al., 2019; Teece, 1997). Studies combining RBV and dynamic capabilities have ignored the important role of competitive intensity in the context of EM exporting firms. Hence this study offers a much fine-grained view by examining conditions under which capabilities and resources can contribute to enhancing performance of EM exporting firms in dynamic market environment.

Fourth, most of the existing empirical studies on export marketing are based on advanced market firms (Azar, & Ciabuschi, 2017; Westjohn, & Magnusson, 2017). Hence, the findings of this study have important implications for the relatively

under-explored topic in the context of EM exporting firms. Lastly, we offer important insights from one of the least examined contexts of Pakistan by the international business scholars.

## **2. Literature Review and Conceptual Development**

### **2.1. *Marketing Skills and Market Responsiveness***

Marketing skills comprises of *skills required for key marketing processes of organisations, such as planning, segmentation and targeting*. Under the RBV, marketing skills can be unique organisational resources that can help develop key capabilities for marketers that are difficult for rivals to imitate and substitute. This research conceptualises marketing skills as the critical intangible resource of the firm which allows segmentation and targeting the market effectively and planning the creative marketing management processes.

International marketing scholars have recently shifted their attention to the issue of skills development for market responsiveness (Barner-Rasmussen et al., 2014; Najafi-Tavani et al., 2018; Williams et al., 2017). Market responsiveness is defined in the literature as the *ability of firm to react to changing market conditions* (Zhou et al., 2019, p33). It is a critical capability as firms are faced by opportunities arising from changing customers' preferences and threats arising from competition (Wei, & Wang, 2011). It allows firm to adopt a particular strategic posture for competitiveness (Lee, 2010). For example, offering novel products or refine the existing offerings. Given that substantial differences exist across different markets, exporting underlies a challenge of successfully managing market responsiveness strategies (Kahiya, 2018). Market responsiveness can be vital for firms originating from emerging markets as these firms have to develop sound reputation and tailor

their products/services offering to meet the requirements of much sophisticated customers based in advanced markets compared to their home markets.

Limited research has focused on key factors that affects market responsiveness (Hagen et al., 2019b; Osei et al., 2019). In this context, the relationship between marketing skills and market responsiveness has been ignored. This research attention is required because EMFs face intense competition from established competitors based in advanced markets and lack vital customer and market knowledge. Thus, such firms need to have the relevant mixture of skills to effectively compete in advanced markets, lacking which they may be unable to respond to changing market requirements effectively.

Lets' consider an example for understanding the relationship between target marketing and planning skills and corrective market actions. To be effective in a particular market, it is fundamental for a firm to know how to segment the market. For instance, whether a targeted marketing strategy or a mass marketing approach should be adopted (Trinh, Khan, & Lockshin, 2018). Specifically, studies have shown that even when a globally recognized brand enters a particular market, it requires effective segmentation skills to be able to know how the marketing mix such as product or packaging should positioned and sold (Khan & Lee, 2020b). Similarly, entering into advanced markets require marketers to develop unique target marketing and planning skills to challenge existing marketing perspectives and business approaches to gain competitive advantage.

To effectively plan marketing management processes, firms are required to obtain fresh insights into market characteristics such as customer requirements, level of branded or unbranded competition, labour cost, distribution, and supplier etc. (Wang, He, & Barnes, 2017). The unique skills allow firms to implement necessary



changes to their marketing programs (Dawar & Chattopadhyay, 2002). Aulakh, Kotabe and Teegen (2000) finds that exporting EMFs may need to adapt their marketing mix strategies to be able to succeed, which also points to the importance of key skills development.

Marketing capabilities are based on marketing skills (Day, 1994; Bruni & Verona, 2009; Morgan et al., 2009). This implies that market responsiveness one of the important dynamic capability is developed based on marketing skills. For example, marketing skills help to offer products that are perceived to have a higher value to customers in comparison to the alternatives available in the market.

In this study, authors speculate that marketing skills are essential for exporting EMFs in advanced markets. A non-marketing study finds that exporting EMFs employ more skilled workers when they export to advanced markets to remain competitive (Brambilla, Lederman, & Porto, 2012). Similarly, without effective marketing skills, exporting EMFs would not be able to meet the market requirements of advanced markets. This postulation is also in line with the assertion that market responsiveness may not occur without key skills (Matsuno, & Kohlbacher, 2020), and firms leverage their capabilities to exploit and deploy resources for enhancing their performance (cf. Lin & Wu, 2014; Teece et al., 1997; DeSarbo et al., 2007).

Bazigos, Smet, and Gagnon (2015) emphasised that EMFs encounter dynamic conditions, including frequently changing customer needs due to accelerated innovation and globalisation. In conjunction with the perspective of dynamic capability theory (Teece et al., 1997), exporting EMFs are required to be receptive and perceptive in developing their marketing capabilities in advanced markets with which they are often less familiar. It is in such a context that scholars

have emphasized that marketing resources and capabilities enable firms to adapt to changing market requirements (cf. Bruni & Verona, 2009; Bucciari et al., 2020).

A key managerial issue is whether EMFs should invest in developing marketing skills, given their resource constraints (Pham et al., 2017). A very few recent studies on EMFs have emphasised the importance of marketing skills for global diversification (Wu et al., 2016; Acikdilli et al., 2020). Furthermore, marketing skills benefit firms with less ex-ante exposure to different markets (Anderson et al., 2018). However, these limited aforementioned studies on marketing skills did not examine or consider the importance of marketing skills specifically for the emerging market exporting firms in advanced markets. A recent study finds that marketing skills and capabilities are important for developing competitive strategies for exporting firms (Martin et al., 2020). However, this particular study did not examine how these skills can support market responsiveness. In line with the assertion that effective segmentation skills are important in assessing price responsiveness (Ferrell et al., 2015), we speculate that marketing skills may be the precursor of market responsiveness.

***H1:** The marketing skills of emerging market exporting firms influence their market responsiveness in advanced markets.*

## **2.2. Mediating Role of Market Responsiveness**

The literature has established the direct influence of marketing skills on marketing performance. For example, market planning, a form of skills, is positively linked to performance (Assadinia et al., 2019). Despite the critical role of marketing skills and market responsiveness, the relationship between the two has attracted limited research attention. A *Forbes* article asserts that responsive marketing capabilities is critical for business managers of EMFs (Trapp, 2019). These

responsive capabilities allow firms to absorb external knowledge and react rapidly, which, in turn, enhances firm performance (Hagen et al., 2019a; Osei et al., 2018). This suggests that market responsiveness may serve as a mediating mechanism between marketing skills and marketing performance.

The RBV postulates that firms' distinctive resources allow them to execute value-creation strategies, which, in turn, influence firm performance (Barney, 1991; Peteraf, 1993). Resources are not necessarily tangible and can be the organisation's skills and knowledge. Their unique skills distinguish firms' capabilities from their rivals (Murray et al., 2011) and backed by coordinated patterns of skills and processes embedded in firms' routines (Grant, 1996; Krasnikov, & Jayachandran, 2008). Scholars argue that in addition to unique resources (skills), firms should possess key capabilities to match changing market requirements to drive market performance (Teece, 2012). Thus, market responsiveness can be one of the important dynamic capabilities of the firm which leads to superior performance. Dynamic capabilities are higher order capabilities which generate superior returns (cf. Helfat et al., 2007; Teece et al., 1997; Teece, 2012).

Scholarships indicate that resources on its own might not be sufficient to drive superior performance, but the deployment of resources through the use of capabilities enable firms to develop competitive advantage (Bowman & Ambrosini, 2003; Khan & Lew, 2018; Lin & Wu, 2014; Teece et al., 1997; Teece, 2007). Dynamic capabilities extend the RBV and such a view highlights that by utilizing capabilities firms can effectively respond to changing and dynamic environments (Ambrosini & Bowman, 2009, Helfat et al., 2007; Teece, 2007). The role of dynamic capabilities has been acknowledged to be important for the survival of new ventures originating from emerging markets (Khan & Lew, 2018). Thus, their role becomes

extremely important as through such capabilities, firms can adjust and reconfigure its resource base (skills) and adapt to changing environments (Helfat et al., 2007; Teece, 2007; Zott, 2003).

Market responsiveness is a key dynamic capability that focuses on corrective actions to serve changing market needs (Khan, 2020). Market responsiveness allows firms to address new opportunities to remain competitive and respond to changing customer needs (e.g., Luo, 2001). In line with the definition of dynamic capability, which refers to the firm's capability to integrate, build and reconfigure internal and external competencies to address a rapidly changing environment (Teece et al., 1997), it may be postulated that market responsiveness requires marketing skills to be able to respond effectively to customer needs, which in turn influence marketing performance.

Marketing scholars often combine the RBV and dynamic capability perspective in marketing theory (Menguc, & Auh, 2006). For example, a study on resource advantage argues that marketing skills can be rare and valuable for firms (Bharadwaj et al., 1993), and firms need to deploy resources in an effective way to develop competitive advantage (Teece et al., 1997). Further, it is argued that not all firms are able to sustain competitive performance through marketing skills and resources (Teece et al., 1997), as the resources alone might not enable firms to develop competitive advantage. Skills and resources, by themselves, cannot be a direct source of competitive advantage as these must be translated into dynamic capabilities to be able to sustain superior performance (Teece et al., 1997; Teece, 2007). In conjunction with these findings, we argue that marketing skills would be valuable for firm performance through the influence of dynamic capabilities i.e., market responsiveness (Menguc, & Auh, 2006).

Dynamic capabilities are a set of processes and strategies that firms use to respond to external changes. Through resources and skills, managers generate value-creation strategies. Hence, skills drive the market mechanisms of firms (Fang, & Zou, 2009). Through business strategies, skills are exposed to environmental market processes, allowing their value to be recognised and the firm's ability to effectively identify and respond to market conditions to be enhanced (Ray et al., 2004). These effects occur because marketing actions (e.g., responsiveness) often influence the marketing performance (Bharadwaj et al., 2005) and the long-term success of firms in foreign markets (Luo, 2001). Based on the preceding discussion, we hypothesise:

***H2:** The influence of marketing skills on emerging market exporting firms' marketing performance is mediated by market responsiveness.*

### **2.3. The moderating role of competitive intensity**

The external environmental factors as per the contingency theory play a vital role in shaping firms' actions (Boso et al., 2013; Lawrence & Lorsch, 1967), and firms need to align its strategy and structure in order to effectively respond to external forces and develop competitive advantage (cf. g. Donaldson, 2001; Lawrence & Lorsch, 1967). External forces could include technology, customers and competitors' actions. Given that competitors actions could create substantial challenges and uncertainties for firms, especially for those that are expanding from emerging markets to advanced markets. Thus, in this study, we focus on this important contingency factor. Studies have examined the moderating role of competitive intensity on business capabilities and outcomes (Cui, Griffith, & Cavusgil, 2005; Ndubisi et al., 2020). In particular, these studies have either determined its moderating influence on either capability and performance or between

an antecedent and capability. For example, Auh and Menguc (2005) find that competitive intensity moderates the effects of innovation capabilities on firm performance. Further, the influence of entrepreneurial orientation on marketing capabilities has been established (Cui et al., 2005). Similarly, the capability to respond to market needs is found to be often dependent on the competitive intensity level (Boso et al., 2019). The theoretical underpinning of this phenomenon underlies dynamic capability theory which argues that effectiveness of dynamic capabilities is subject to environmental conditions (Teece et al., 1997; Teece, 2007).

Some studies have found that dynamic capabilities are only effective in changing market conditions such as market turbulence (Teece et al., 1997), while others suggests that these capabilities are also effective under stable market conditions (Ambrosini, Bowman, & Collier, 2009). Nevertheless, these aforementioned studies tested the moderation effects only on the direct relationships which does not fully illuminate the moderation effects on mediating mechanism.

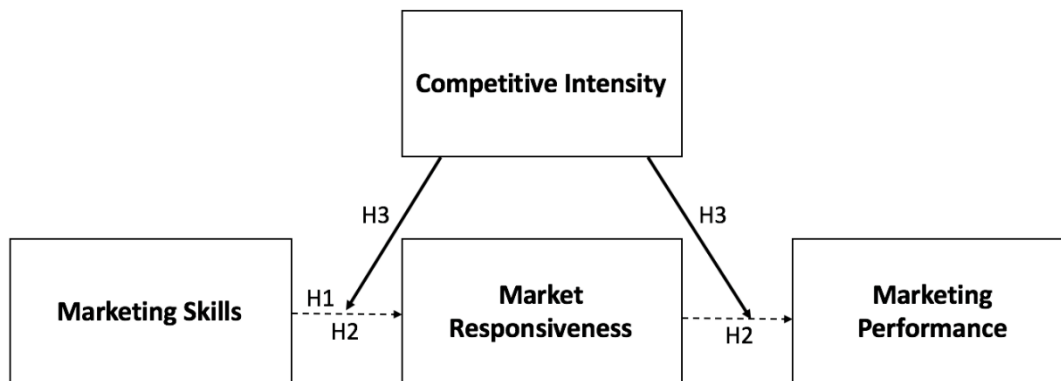
There is a lack of clarity in the literature because the effects of dynamic capabilities (e.g., market responsiveness) on performance can also be contingent to competitive intensity. These effects not only require external fit to the environment (i.e., competitive intensity, in the case of this study) but also internal resources i.e., marketing skills in this context (Wilden et al., 2013). Marketing skills provide the foundation to plan and target well in a competitive environment and enable to develop competitive capabilities for strategic responses (Knight, & Kim, 2009). For example, under highly competitive conditions, marketing skills can be valuable in terms of recognising the needs of the market in time, which in turn help the firms to respond to those needs speedily. Thus, under a dynamic situation of exporting into advanced markets from emerging market, the effects of marketing skills on

responsiveness may differ subject to the level of competitive intensity. The market responsiveness may also have a differential fit or misfit to the environmental conditions such as competitive intensity (Bouguerra et. al., 2020). For example, firm focusing on exploitation rather than exploration of emerging customers' needs may ignore competitive conditions, which may result in under-performance. Thus, we propose the moderated-mediation effect:

**H3:** *The influence of marketing skills on emerging market exporting firms' marketing performance via market responsiveness is positively moderated by competitive intensity experienced in advanced markets.*

Figure 1 illustrates the conceptual framework of this study.

**Figure 1: Conceptual Framework**



### 3. Method and Context

Pakistan was selected as the context for this study owing to its increasing exports to advanced markets such as United Kingdom and United States. In 2019, Pakistan's total exports amounted to USD \$2.4 million to the United States and USD \$1.04 million to the United Kingdom (Trading-Economics, 2019). These accounts for majority of the share of the total exports from Pakistan. These two markets are also

the top two advanced markets among all global markets (including other advanced markets) to which Pakistan exports. Hence, we purposely selected firms that export mainly to these two markets to examine the research questions, given that these firms face several challenges, such as a lack of knowledge about customer requirements, while expanding into advanced markets. It is also worthy to note that Pakistan's export of goods as a percentage of GDP is approximately 9% while imports are 20% (Pakistan Trade Economy, 2019). Hence, it is significantly important for Pakistani businesses to sustain their performance in export markets to strengthen their export performance.

Bazigos, Smet, and Gagnon (2015) in McKinsey Quarterly mentioned that nowadays businesses are facing greater challenges due to globalisation which requires unique processes, capabilities, and skills for success. It is further argued that businesses should be receptive as well as perceptive in addressing changing market needs. In line with this argument, a recent Forbes article argues that building responsive marketing strategies is critical for EMFs (Trapp, Nov, 2019), especially for exporting firms in advanced markets (Khan, 2020). Hence, this supports the context of this study.

We collected data from exporting firms that were principally exporting and marketing their products to advanced markets, majorly to the United Kingdom, the United States or both. We first looked at Pakistani exporters' database to identify the firms exporting to advanced markets. Then, we searched and contacted export managers of firms using LinkedIn. The survey also had a question regarding the markets they were exporting to.

### **3.1. Data Collection Procedure and Sample Size**



In collecting data, we opted for a multi-industry design to increase response variability. In 2019, we approached the top and mid-level managers of the selected firms via LinkedIn. The invitation message on LinkedIn included brief information about the study and request to connect if they were willing to participate in the study. Upon managers' acceptance of the invitation and consent to participate, we shared the link to an online Qualtrics (<https://www.qualtrics.com>) questionnaire with these managers. Study participation was limited to managers involved in managing or marketing exports to advanced markets to ensure their fit for this study. The questionnaire was presented entirely in English language. This is because Pakistan was a British colony, hence this language is widely spoken and written in the country specially in the corporate and education sectors (Khan, 2019; Khan, & Lee, 2020a, 2020b). The questionnaire included information regarding participation and an assurance regarding the confidentiality of their responses.

We collected one questionnaire per firm, that is 139 questionnaires with 39% response rate. After deleting outliers and missing responses for the study constructs, the final sample consisted of 98 responses. The profile of participants is provided in Table 1. About 53% of participating managers were chiefly exporting food product and textiles to advanced markets. While remaining 47% were exporting other products including electrical equipment, sports goods, cotton products, surgical items, cutlery etc. (See Table 1).

**Table 1: Participants and Industry Profile**

<b>Designation</b>	<b>Frequency</b>	<b>Industry</b>	<b>Participation</b>
CEO/Director	14	Food	23
Export Managers	71	Textile/clothing	30
Operations Manager	10	Electrical	6
Other Strategy Manager	3	Surgical	6
Total	98	Technological	4
		Cutlery	1

Cement/tiles/marbles	4
Cotton products	2
Sports good	3
Furniture	1
Others	18

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### 3.2. Measures

We adapted validated and reliable measures from previous studies.

**Marketing skills:** We adapted the 5-item scale for marketing skills from Morgan et al., (2012). The respondents were asked to rate all items on a 7-point Likert scale (1 = *strongly disagree*; 7 = *strongly agree*) to indicate the extent to which their business had executed these skills in advanced markets in the recent past years.

**Market responsiveness:** We used the 6-item scale for market responsiveness of Khan (2020). Managers were asked to rate all items on a 7-point Likert scale (1 = *strongly disagree*; 7 = *strongly agree*) to represent the extent to which their business had executed these capabilities in advanced markets in the recent past years.

**Competitive intensity:** The 4-item scale for competitive intensity was adapted from Cui et al. (2005). Competitive intensity was measured on a 7-point Likert scale (1 = *strongly disagree*; 7 = *strongly agree*).

**Marketing performance:** The 9-item scale for marketing performance was adapted from Hooley et al.(2005). Managers were asked to rate the marketing performance of their firms relative to that of their competitors in the recent past years on a 7-point scale (1 = *worse than competitors*; 7 = *better than competitors*).

**Control variables:** We used several controls such as firm size and age owing to their potential confounding effects. For instance, see Khan (2020).

### 3.3. Data Analysis

Using principal component analysis, we first examined the item loadings. All items of the factors loaded into their respective constructs and the lowest loading was equal to .69 (see Table 2). The Cronbach alpha values of .90 and above show that all scales were reliable.

**Table 2: Exploratory factor analysis**

Constructs	Factor loading
In our AE export market(s):	
<b>Marketing Skills (MS)</b> ( $\alpha = .93$ )	
1. We have marketing planning skills in our export markets.	.88
2. We effectively segment and target export markets.	.89
3. We have marketing management skills and processes in export markets.	.92
4. We develop creative marketing strategies in export markets.	.88
5. We have detailed marketing processes in export markets.	.88
In our AE export market(s), we have developed the following capabilities over the past few years:	
<b>Market Responsiveness (MR)</b> ( $\alpha = .91$ )	
1. We quickly decide how to respond to competitor price changes.	.87
2. We respond to our customers' product/service needs.	.86
3. We periodically review our product/service development efforts to ensure that they are in line with what customers want.	.86
4. If a major competitor were to launch an intensive campaign targeted at our customers, we would implement an immediate response.	.81
5. Customer complaints are given consideration in all business units.	.79
6. When we develop a great marketing plan, we are able to implement it in a timely manner.	.77
Over the past few years, our AE market (s) have:	
<b>Competitive Intensity (CI)</b> ( $\alpha = .92$ )	
1. Aggressiveness of competition in our industry	.89
2. Frequency of promotion wars in our industry	.91
3. Strength of price competition	.92
4. Pace of new competitive moves in this product area	.88
Our marketing performance in our AE market(s) relative to our competitors over the past few years:	
<b>Marketing Performance (MP)</b> ( $\alpha = .90$ )	
1. Market share	.81
2. Market share growth	.73
3. Sales volume	.69
4. Sales volume growth	.72
5. Market positioning	.77
6. Customer satisfaction	.78

7. Customer retention	.70
8. Product and service quality	.74
9. Customer referral	.75

Table 3 shows that the average variance extracted (AVE) of each factor was equal to or greater than .55. The AVE was also greater than the sum of the squares of correlations between the factors. Therefore, all constructs were discriminately valid. In addition to AVE, we also tested the measurement model in AMOS using a structural equation model. The measurement model showed a good fit (CMIN/df = 1.58,  $p < .01$ , CFI = .92, TLI = .90, IFI = .92, RMSEA = .07).

**Table 3: Correlations and average variance extracted (AVE)**

Variables	Mean (SD)	AVE	1	2	3	4
Marketing skills (MS)	4.74 (1.45)	.79	-	<i>.35</i>	<i>.16</i>	<i>.20</i>
Market responsiveness (MR)	5.27 (1.19)	.68		-	<i>.31</i>	<i>.22</i>
Competitive intensity (CI)	4.95 (1.70)	.81			-	<i>.07</i>
Marketing performance (MP)	5.19 (0.99)	.55				-

*\*sq. of correlation is reported in italics.*

*AVE = average variance extracted. SD = standard deviation*

Using the procedure proposed by Reio (2010), we controlled for common method variance in this study. This involved informing participants about the confidentiality of their responses, using a questionnaire developed in simple words and providing clear guidelines for survey completion. Further, we checked for common method variance using Podsakoff et al., (2003) technique. The common latent factor model showed a better fit ( $\Delta\chi^2 = 56.78$ ,  $\Delta df = 20$ ;  $p < .01$ ). However, the significance of the items did not vary after adding the common latent factor to the model. In addition, the correlation paths also remained unchanged. Although some common method bias was observed, given the unchanged results of the path

coefficients, it can be inferred as insufficient to affect our results (Mazodier, & Merunka, 2012).

Exporting firms may face differential competitive intensity when they export to U.K (n = 39), U.S (n = 12), both (n = 29), and other advanced markets (n = 18), therefore, using ANOVA, we first tested significance difference between competitive intensity across these markets in our sample. No significant difference was found (the lowest p-value = .38). Hence, analysis for conceptual model can be combined for these advanced markets.

#### 4. Results

The structural equation modelling<sup>1</sup> for the direct effect model shows that marketing skills influence market responsiveness ( $\beta = .43$ ) and market performance ( $\beta_0 = .39$ ). The indirect effect model result shows a significant reduction in the influence of marketing skills on marketing performance on adding market responsiveness as the mediator in the model ( $\Delta \beta = .17$ ). The influence of market responsiveness ( $\beta = .49$ ) on marketing performance is positive and significant (see Table 4). These results support H1 and H2.

**Table 4: Mediation model**

Predictors	Marketing performance (MP) (direct effect)	Marketing performance (MP) (indirect effect)
MS	$\beta_0 = .39$	$\Delta \beta = .17$
MR	--	$\beta = .49$

<sup>1</sup> Mediation model was tested in Structure Equation Model to observe the direct effect (coefficient,  $\beta_0$ ) of marketing skills on marketing performance and how does this direct effect  $\beta$  changes when mediator (market responsiveness) is added to the model ( $\Delta$  in coefficient,  $\beta$ ). After adding a mediator to the model, if direct effect coefficient size is reduced, it implies that mediation has occurred.

Controlled for: age and size of the firm. Both control variables have insignificant effects. \*\* $p < .01$   
 MS = Marketing skills, MR = Market responsiveness, MP = Marketing performance

Next, we used the Process macro #58<sup>2</sup> to analyse the moderated-mediation model. Competitive intensity positively moderates the mediation effect ( $\beta = .17$ ; LLCI =  $-.04$ ; ULCI =  $.38$ ; see Table 5). Since this is a one-tailed hypothesis, we can accept this postulation (at  $p = .11$  level). The indirect effect size is significant both at the moderate level ( $\beta = .21$ ) and the high level ( $\beta = .25$ ) of competitive intensity (see Table 6). Hence, we also accept H3 postulation.

**Table 5: Model coefficients for the conditional process model (Model #58)**

Predictors	$\beta$	S.E	p-value	LLCI; ULCI
<b>Market responsiveness (MR)</b>				
MS	.43	.08	<.01	.27; .59
CI	.40	.08	<.01	.23; .56
MS X CI	-.04	.08	.58	-.19; .11
<b>Marketing performance (MP)</b>				
MS	.23	.11	.03	.01; .45
MR	.46	.14	<.01	.19; .73
CI	-.07	.11	.48	-.29; .14
(MS -> MR -> MP) X CI	.17	.11	.11	-.04;.38

*n = 98; The model controlled for the effects of firm size and age of the firm. Both control variables were insignificant.*

*LLCI = lower limit confidence interval; ULCI = upper limit confidence interval*

*MS = Marketing skills, MR = Market responsiveness, CI = Competitive intensity, MP = Marketing performance*

**Table 6: Conditional indirect effects of marketing skills on marketing performance**

Competitive Intensity	$\beta$	S.E	LLCI; ULCI
<b>Indirect effect</b>			
Low	.10	.13	-.11; .39
Moderate	.21	.07	.08; .38

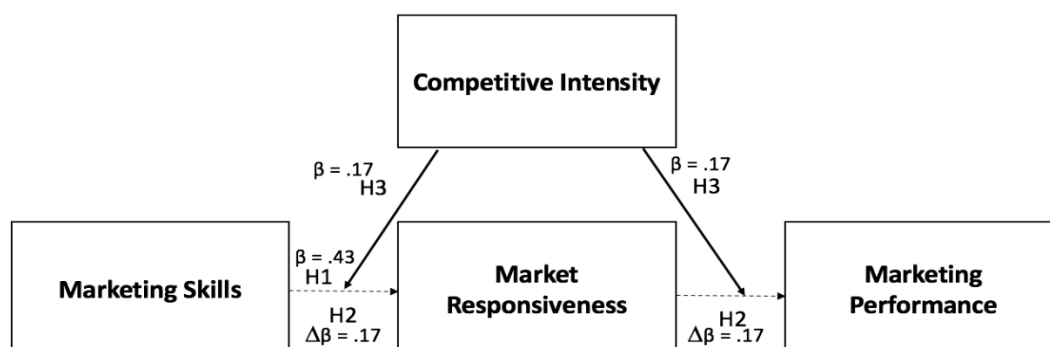
<sup>2</sup> A key benefit of using Process macro #58 is that it allows analyst to integrate analysis of both mediation and moderation into a unified statistical model. Single inferential test is required to examine moderated mediation effects rather than set of two or more inferential tests (Hayes, 2015). Given that our study tests for the moderated mediation as denoted in the conceptual framework, thus this widely used macro was adopted.

High	.25	.12	.06; .54
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*LLCI = lower limit confidence interval; ULCI = upper limit confidence interval*

The overall results of the study are illustrated in Figure 2.

**Figure 2: Overall Results**



## 5. Discussion and Conclusion

The key aim of this study was to examine the role of marketing skills and the way these skills enhance the emerging market exporting firms' marketing performance in advanced markets. EMFs face considerable challenges while expanding into advanced foreign markets, given that these firms are originating from relatively weak environment compared to advanced markets (Madhok, & Keyhani, 2012). Thus, these firms need key intangible resources such as specialized skills and capabilities to effectively respond to their customers' need and effectively compete with their well-established competitors based in advanced markets.

Drawing data from 98 exporting firms from an emerging market, Pakistan, we explored how these firms leverage their key intangible resources (marketing skills) and capabilities (market responsiveness) for superior marketing performance in advanced markets. We proposed that marketing skills play a vital role in enhancing market responsiveness, which in turn, leads to superior marketing performance of

exporting EMFs in advanced markets. To succeed in host markets, it is critical that foreign firms respond to dynamic local market demands, given that customer needs differ across markets (Luo, 2001).

One of the key findings of this study is that market responsiveness is a crucial mechanism that leads to the superior marketing performance of exporting firms in advanced markets since these markets have sophisticated customers and well-established marketing channels, thus suggesting that exporting EMFs need to pay greater attention to customer need and develop dynamic marketing capabilities to effectively compete in these markets. Another important finding is that competitive intensity acts as a key contingency variable in explaining the relationship between market responsiveness and the marketing performance of exporting EMFs in advanced markets. This finding underscores the fact that a higher level of competitive intensity plays a positive role in enabling marketing skills via market responsiveness to influence this performance. These findings provide support to the literature, which indicates that certain features of the external environment may moderate the antecedents and performance (Cadogan, Charles, & Erik, 2003; Jaworski, & Kohli, 1993); in this case, competitive intensity of advanced markets is an important aspect of the external environment that shapes the influence of firm-level resources and capabilities on the performance.

The nature of competition shapes firms' actions and behaviour in the market, and a high level of competition requires firms to optimally use their capabilities and resources to compete with their counterparts. In this context Zahra, & Das (1993, p.234) noted, 'when rivalry is fierce, companies must innovate in both products and processes, explore new markets, find novel ways to compete, and examine how they will differentiate themselves from competitors.' Thus, our findings highlight that when



competition is high, to enhance their marketing performance exporting firms from emerging markets need to effectively use their marketing skills and respond to the needs of their customers in advanced markets. These findings provide key insights to the debate on the fit between organizational strategic capabilities and external environmental forces, since external factors shape firms' actions (e.g., Boso et al., 2013; Donaldson, 2001; Lawrence & Lorsch, 1967).

### **5.1. Theoretical Implications**

The findings of this study add to extant literature on the role of marketing skills, market responsiveness and marketing performance and provide important implications for extant studies.

First, these findings suggest that exporting firms originating from the emerging markets need to possess key marketing skills to ensure timely market responsiveness, given their limited knowledge about dynamic environment of advanced markets. The RBV indicates the important role of difficult-to-imitate resources and capabilities in developing a sustainable competitive advantage (Barney, 1991; Peteraf, 1993), and as per the dynamic capabilities view, firms need to use the capabilities to deploy resources for developing competitive advantage (e.g., Teece, 2007). We found that marketing skills are important intangible resources that exporting firms require to effectively respond to changing customers' need in advanced markets. As per the RBV based view of the firm (Barney, 1991), marketing skills are firm-based routines that are conducive for succeeding in advanced host markets, given the dynamic nature of these markets. Such intangible resources are vital for EMFs since these firms face serious challenges while expanding into foreign markets, and by accumulating marketing skills, these firms

can be in a better position to understand the needs of their customers (Lord, & Ranft, 2000).

Second, the findings highlight important mediating mechanisms of market responsiveness in enhancing the marketing performance of exporting EMFs. There is a lack of relevant studies in determining relationship between resources and capabilities in influencing marketing performance. Hence, by examining the relationship between marketing skills (resource) and market responsiveness (capability), we contribute to the nexus of RBV and dynamic capability theory as resources by themselves may not be sufficient to generate value for firms (cf. Di Stefano et al., 2014; Helfat et al., 2007; Teece et al., 1997). The findings suggest that marketing skills are critical for building capabilities to enhance the market responsiveness of exporting EMFs, which, in turn, lead to superior marketing performance. This finding is important since previous studies have not explored the relationship between marketing skills, market responsiveness and marketing performance, especially in the context of exporting EMFs.

Third, our study contributes to examining the RBV-dynamic capability–firm performance relationship by integrating competitive intensity as a key contingency variable in examining the marketing performance of exporting EMFs in advanced markets, which has been neglected by extant studies on the internationalisation of these firms. This is another important contribution to RBV and dynamic capability theory as limited prior research combining these two perspectives have considered any environment related contingency variables in such a theoretical model (Mikalef et al., 2019; Teece, 1997). Moreover, studies combining RBV and dynamic capability have ignored the important role of competitive intensity in context of EM exporting firms. Thus, our findings extend this stream of literature by showing that competitive

intensity acts as a key contingency variable between these firms' marketing skills, market responsiveness and marketing performance. The study emphasises that market responsiveness becomes a key element for these firms to enjoy superior marketing performance in advanced markets when the competitive intensity is higher, thus suggesting that these exporting firms need to develop and possess superior marketing skills that can channelled through market responsiveness in enhancing their marketing performance. These findings have important implications for this relatively under-researched topic—the performance of exporting firms from emerging markets and the way that such firms can enhance their marketing performance in advanced markets. Thus, we provide an integrative mediation–moderation framework in the context of exporting EMFs.

## **5.2. *Managerial Implications***

The findings of this study suggest that the managers of exporting EMFs need to invest in specific intangible resource capabilities i.e., marketing skills, along with other firm-specific skills, such as operations and financial management, to ensure superior marketing performance in advanced markets. Given the substantial differences in tastes and product requirements in advanced markets, managers should dedicate more resources and invest in developing the marketing skills of their firms. Since marketing skills play an important role in market responsiveness, there is a greater need for these firms to nurture their marketing skills for effective responsiveness. In addition, responsiveness to the host market is vital to not only establish legitimacy in that market but also succeed (Luo, 2001). Thus, managers need to be responsive to their host markets. Firms can achieve such responsiveness only by developing and investing in difficult-to-imitate capabilities, such as marketing

skills, because these can be channelled via market responsiveness, which leads to superior marketing performance in host markets.

Further, the findings show that in a high competition scenario, resources and capabilities in the form of marketing skills and market responsiveness become even more vital to enhance marketing performance in advanced markets, thus again suggesting that managers should dedicate resources to developing key capabilities because such capabilities play a critical role in this scenario.

### ***5.3. Implications for Policy***

The findings of this study also provide useful guidance to policy makers of emerging markets aiming to improve exporting of various sectors. Policy makers of emerging markets face various dilemmas- one the one hand, they try to cut import bills to reduce systemic trade deficits (the case in point is Pakistan) but at the same time improve exporting activity, yet firms operating in emerging markets either lack the necessary skills and capabilities to compete in advanced markets. Thus, policy makers need to support their exporting firms in developing the necessary skills and capabilities that are crucial to effectively compete in foreign markets. Furthermore, policy makers need to improve the exporting environment by offering rebates and incentives to exporting firms, but at the same time they should invest more in improving the capabilities and skills of the exporting firms through formalized sector specific training and apprenticeship schemes targeted at exporting firms. Policy makers of emerging markets could also segment the exporting firms based on their current resources and capabilities and support those firms that lack necessary resources and capabilities through tailored skills development programs.

Furthermore, emerging markets' exporting firms suffer due to lack of various firm specific advantages such as weak brand and marketing skills, lack of foreign market knowledge and limited ability to properly segment the target market that are conducive to exporting. Thus, policy makers of emerging markets need to carefully align the traditional incentives for exporting such as offering tax incentives and exporting related rebates with improving the management, marketing and sales skills of exporting firms. In this regard, the policy makers could strengthen the university-industry linkages and organizing exporting related conferences in order to fill the skills gap of their exporting firms.

### **5.3. *Limitations and Future Research Directions***

Although this study contributes to the literature, it has some limitations, which serve as a good direction for extending this research. This study was conducted in the context of a single market (Pakistani exporting firms to advanced markets). For generalisability, the study should be extended to a number of other similar markets. A longitudinal study (e.g., before and after a particular market responsive strategy) would also be a fruitful direction for further research.

A future study can also combine specific skills in marketing, supply chain, financial management and human resource management to determine their impact on marketing performance. Particular marketing skills would also be worth investigating e.g., branding, distribution, networking, and digital marketing etc. Future studies would also benefit from exploring how these skills can add value for different strategic options such as differentiation and cost leadership. The influence of these skills can also be considered for business model reconfiguration and innovation. Future studies could also examine different types of dynamic marketing capabilities (e.g., Barrales-Molina et al., 2014; Bruni & Verona, 2009; Kachouie et al., 2018), and

how these capabilities interact with the dynamic managerial capabilities (cf. Helfat & Martin, 2015; Helfat & Peteraf, 2015) in enhancing emerging market firms' performance in their home and host advanced markets.

In this study, we have used competitive intensity as one of the key boundary conditions, thus future studies could examine other possible moderators such as industry turbulence, market orientation, customer relationship orientation, entrepreneurial orientation and institutional distance. Moreover, the proposed model can be tested pre-pandemic and post-pandemic in a particular market and could potentially investigate how do exporting firms from emerging markets develop resilience capabilities while operating in diverse markets and overcome external shocks and crisis? Lastly, future studies could pay more attention to the role of marketing intermediaries and the manner in which they enable the development of various firm-level skills of exporting firms in emerging markets that are conducive for superior performance of these firms in developed as well as developing markets. Examination of comparative marketing skills for emerging market exporting firms needed across developing and developed markets that can be another fruitful avenue for extending this research.

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